

QUARTERLY FOCUS

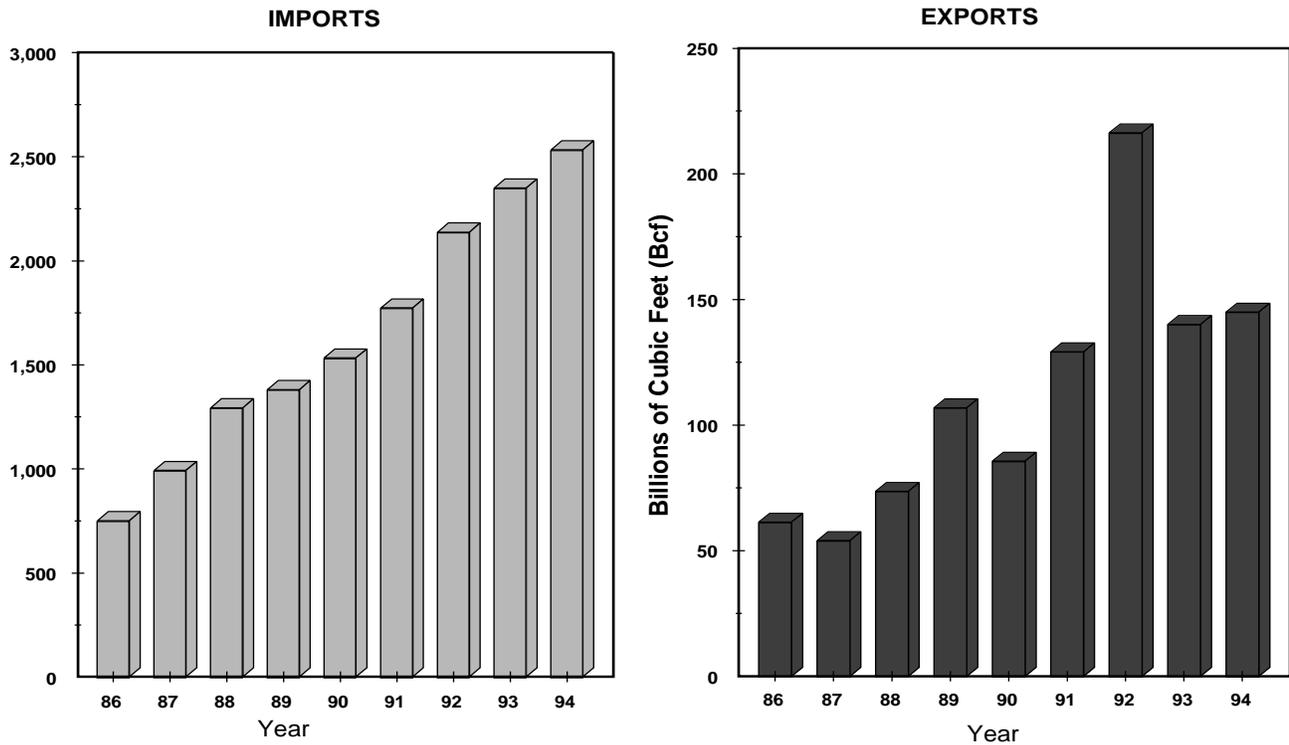
1994: YEAR IN REVIEW

<u><<< YEAR AT A GLANCE >>></u>			<u>Table 1</u>
<u>TOTAL IMPORTS*</u>			
<u>COUNTRY OF ORIGIN</u>	<u>BCF</u>	<u>WEIGHTED AVERAGE PRICE</u>	
Canada	2544	\$1.81	
Algeria	51	\$2.15 **	
Mexico	7	\$2.00	
TOTAL	2602		
<u>TOTAL EXPORTS*</u>			
<u>COUNTRY OF DESTINATION</u>	<u>BCF</u>	<u>WEIGHTED AVERAGE PRICE</u>	
Canada	49	\$2.36	
Japan	63	\$3.14 ***	
Mexico	47	\$1.67	
TOTAL	159		
*	Data filed with OFP by importers/exporters.		
**	Distrigas Corporation's average landed price: \$2.35; Pan National Gas Sales' average tailgate price: \$1.76.		
***	Delivered price.		

- **Table 1** shows the volumes and prices of natural gas imports by country of origin, and natural gas exports by country of destination for 1994. The weighted average price for the imports is the per unit price (MMBtu) at the point of entry into the United States. The price shown for exports is at the point of exit, with the exception of sales to Japan; the price of exports to Japan is shown as a delivered price.
- Natural gas imports, for the seventh consecutive year, reached an historic high in 1994. Based on company filings with OFP, the United States imported 2602 Bcf and exported 159 Bcf of natural gas, resulting in **net** imports of 2443 Bcf for the year. This represents an increase of 258 Bcf over the 1993 level (2185 Bcf), or 11.8 percent.
- In 1994 natural gas exports grew by 13 Bcf over the 1993 level (159 v. 146 Bcf), or 8.9 percent.

Figure 1

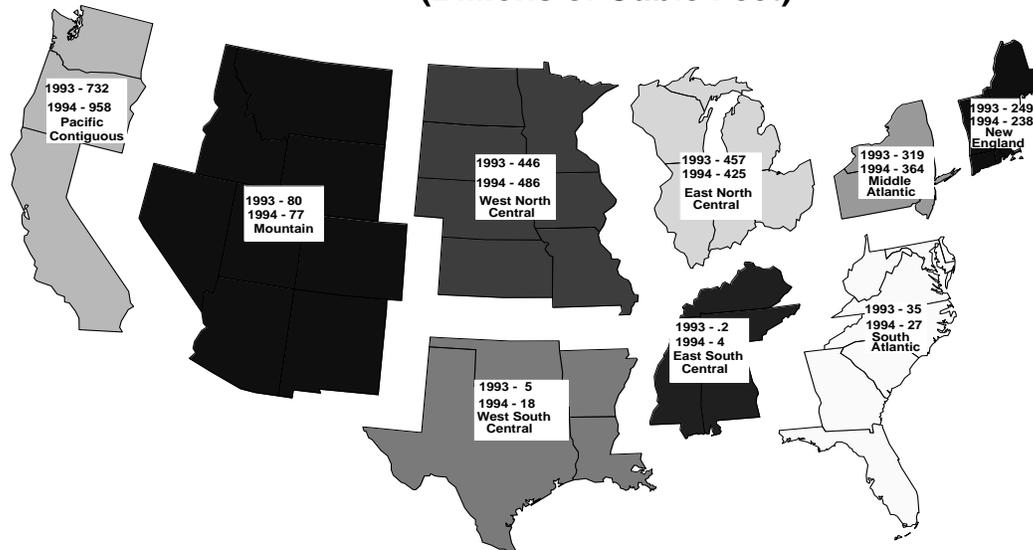
Natural Gas Import and Export Activity 1986 - 1994



- **Figure 1** shows natural gas import and export activity over the past nine years (1986-1994).
- From 1986 to 1994, imports have grown by almost 247 percent (750 Bcf v. 2602 Bcf). Additionally, **net** imports as a percentage of total domestic gas demand have grown from 4.2 percent in 1986 to an estimated 11.7 percent in 1994. In 1993, **net** imports as a percentage of total gas demand was 10.9 percent.
- Comparing 1986 with 1994, natural gas exports have grown by 159 percent (61.3 Bcf v. 159 Bcf). Like the growth in natural gas imports, most of the increase in exports is the result of a more efficient, integrated North American natural gas marketplace, and the liberalization of gas trading policies. As shown in **Figure 1**, the largest volume of gas exports occurred in 1992; this historic high level of exports was the result of record export sales to both Canada and Mexico. Since 1992, total gas exports have dropped due to reduced sales to Canada and Mexico.

Figure 2

Estimated Sales of Imported Natural Gas By Census Division - 1993 and 1994 (Billions of Cubic Feet)

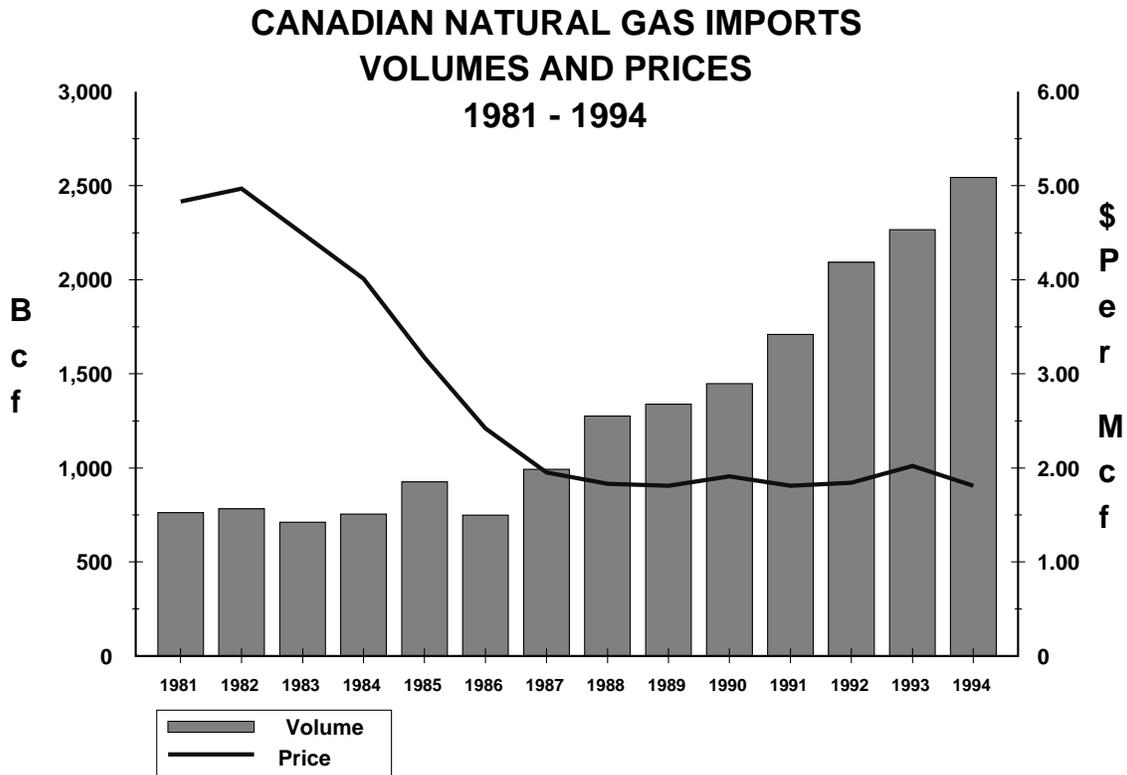


Note: Import sales do not equal imports due to fuel use, linepack, storage, imbalances and undetermined markets.

- **Figure 2** compares, by U.S. Census Region, the sales of imported natural gas for 1993 and 1994.
- As illustrated in **Figure 2**, the area of the country showing the greatest growth in natural gas import sales in 1994 was Region 9 (Pacific Contiguous).
- The increase in Canadian gas export sales to this region, particularly California, was made possible by the completion of the joint Pacific Gas Transmission/Pacific Gas and Electric pipeline expansion project in November 1993. The 1993 expansion increased the pipeline capacity at the Eastport, Idaho, entry point by 903 MMcf/day. Most of this capacity (755 MMcf/day) was designed for increasing sales to California.
- Canadian natural gas sales to Census Region 9 increased by 226 Bcf over the 1993 level, or 31 percent. This represents about 87 percent of the incremental growth in **net** imports for the entire country during the year. Almost all of the growth in this region can be attributed to the 187 Bcf of additional supplies being delivered to California, and 27 Bcf of new long-term sales to Washington, a portion of which are being used to supply new cogeneration facilities in this state.
- As illustrated in **Figure 2**, the second largest growth area for gas import sales in 1994 was in Census Region 2 (Mid-Atlantic Region). It experienced an increase of about 46 Bcf over the 1993 level, or an increase of 14 percent. Much of this increase was the result of new long-term sales arrangements, primarily for supplying new cogeneration facilities. Besides Canadian gas, this figure also includes approximately 21 Bcf of Algerian LNG.

UNITED STATES - CANADA TRADE

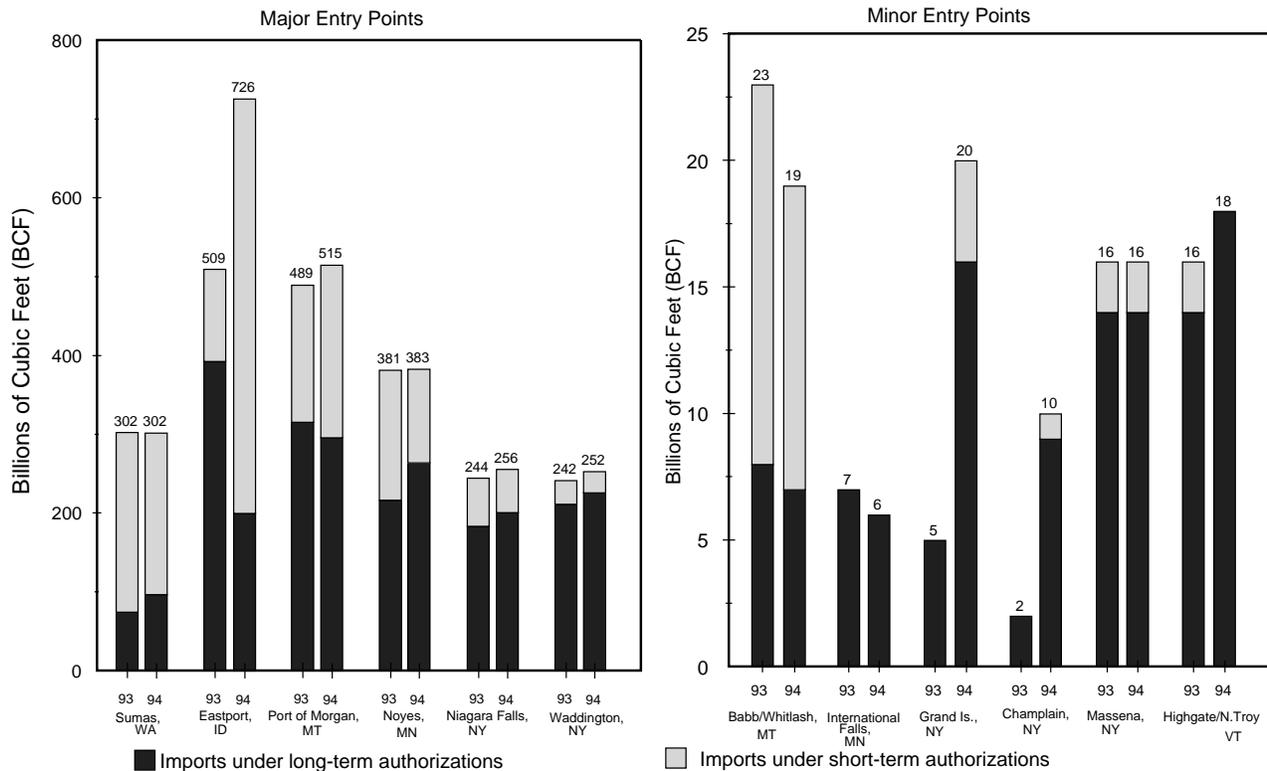
Figure 3



- **Figure 3** shows the volume and price trend for Canadian natural gas imports during the past 14 years.
- Canadian natural gas exports to the United States set a new record high in 1994, and the price for these supplies matched the all-time low price set in both 1989 and 1991.
- During 1994 Canadian gas imports totaled 2544 Bcf, with an average international border price of \$1.81/MMBtu. For the year, the average price of gas imported under long-term import authorizations (contracts longer than 2 years) was \$2.00/MMBtu, and the price of gas imported under short-term authorizations (contracts of 2 years or less) was \$1.59/MMBtu.
- During 1994, Canada’s share of the natural gas import market in the United States was 97.7 percent. Algeria’s share of the import market was 2 percent, with the remaining volume (0.3 percent) coming from Mexico.

Figure 4

Canadian Natural Gas Imports By Point of Entry 1993 vs 1994



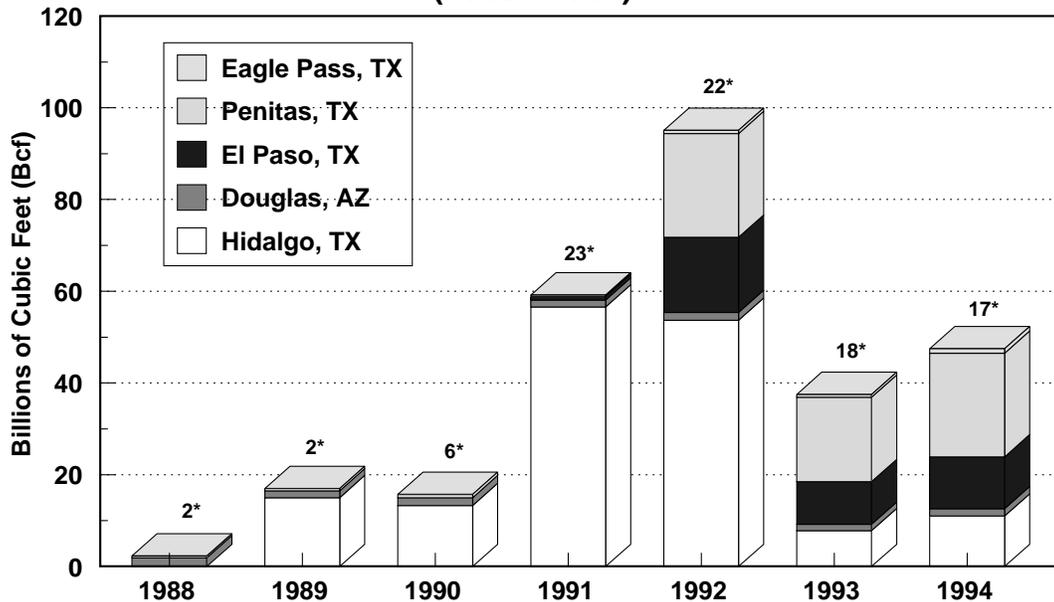
Note: Graph does not include entry points for Algerian and Mexican imports, as well as several minor Canadian entry points.

- Figure 4** compares natural gas imports from Canada by point of entry for 1993 and 1994. The bar chart distinguishes between imports made under short-term import authorizations (2 years) and imports made under long-term import authorizations (longer than 2 years.).
- Figure 4** shows that the major growth in imports during 1994 occurred at only one entry point: Eastport, Idaho. From 1993 to 1994, imports at this entry point increased by 217 Bcf, or an increase of over 42 percent. Most of the increased imports were marketed in California under short-term, firm contracts. While Canadian long-term imports to California declined from 364 Bcf in 1993 to 160 Bcf in 1994, short-term imports increased from 101 Bcf in 1993 to 492 Bcf in 1994. The average per unit price of these short-term sales to California in 1994 was \$1.48/MMBtu, or \$0.33 less than 1993's average of \$1.81 for this state.
- Figure 4** also indicates increased gas throughput at four entry points located in New York in order to accommodate the 1994 growth in sales to the Mid-Atlantic region. The aggregate growth in imports at these four entry points (Niagara Falls, Waddington, Grand Island, Champlain) was about 47 Bcf. The Empire State Pipeline at Grand Island and the North Country Pipeline at Champlain both became operational in late 1993.

UNITED STATES - MEXICO TRADE

Figure 5

**Natural Gas Exports To Mexico By Point of Exit
(1988 - 1994)**

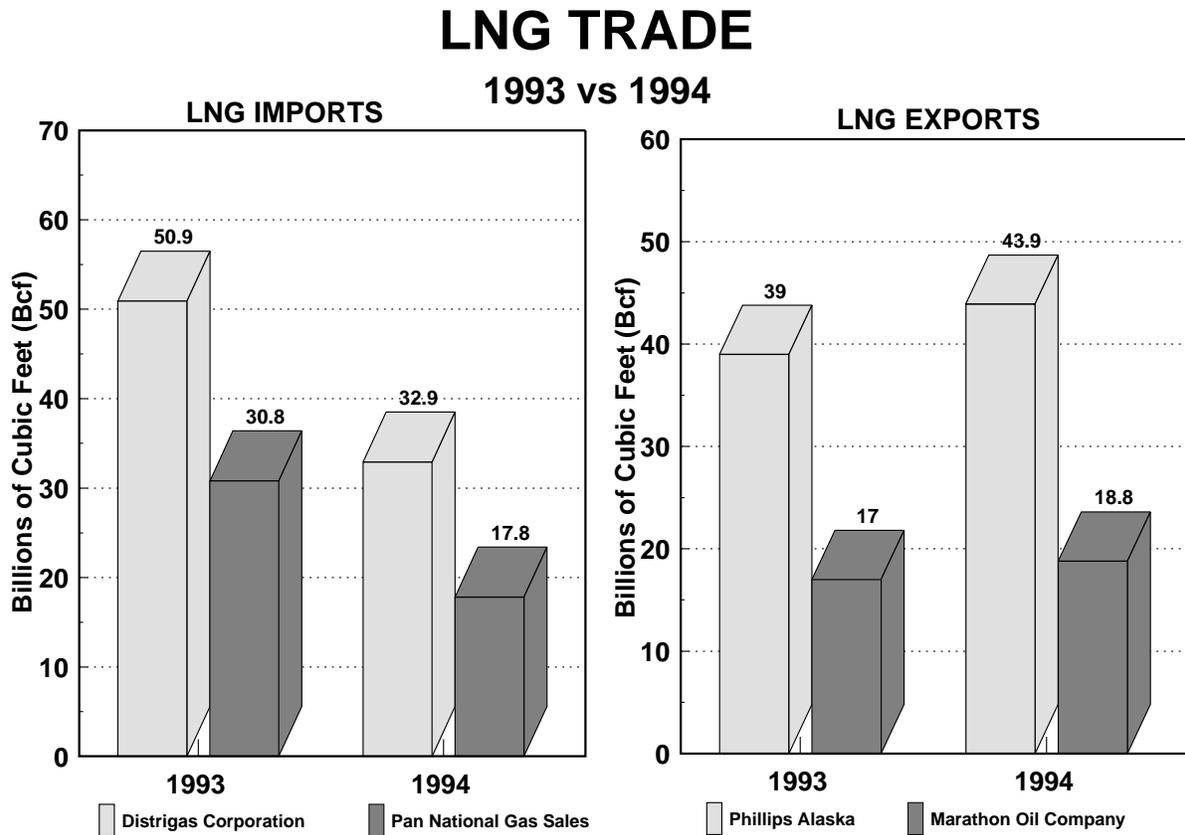


*Number of exporters

- **Figure 5** shows the volume of natural gas exports to Mexico, by point of exit, over the past seven years.
- Natural gas exports to Mexico during 1994 totaled 47 Bcf, compared with 38 Bcf in 1993. This represents a 24 percent increase over the 1993 level. The average price for these exports in 1994 was \$1.66/MMBtu.
- As illustrated in **Figure 5**, the major export point for the year was at Penitas, Texas (Valero Transmission) where almost 48 percent of volumes were shipped. The next most frequently used export point was at El Paso, Texas (Western Gas Interstate Pipeline) where about 24 percent of the year's exports occurred. The Texas Eastern Pipeline at Hidalgo, Texas was used for both imports and exports during 1994. Although it transported about 23 percent of the export volumes shown above, it also was used to ship 7 Bcf of natural gas imports from Mexico during the year, all of which occurred the first six months.
- In general, 1994 was a year of contrasts; exports during each of the first seven months were at a four-year low, but during the last five months of the year exports climbed to their highest level in two years. The price of natural gas exports during each of the last four months of the year was at a four-year low.

LNG TRADE

Figure 6



- **Figure 6** compares imports and exports of liquefied natural gas (LNG) for 1993 and 1994.
- During 1994, Distrigas Corporation (Distrigas) and Pan National Gas Sales, Inc. (Pan National) imported an aggregate 50.8 Bcf of LNG from Algeria. Approximately 65 percent (32.9 Bcf) was delivered to Distrigas at its Everett, Massachusetts terminal, while the remaining 35 percent (17.9 Bcf) was delivered to Pan National at Trunkline LNG Company’s terminal located at Lake Charles, Louisiana.
- As shown in **Figure 6**, Algerian LNG imports during 1994 declined 38 percent from the 1993 level (50.8 v. 81.7 Bcf). Imports by Distrigas dropped by over 35 percent, and imports by Pan National declined by almost 42 percent.

- Much of the decline in LNG imports can be attributed to the fact that Sonatrach, Algeria's state-owned oil and gas company, undertook a major renovation project to restore its liquefaction plants to original capacity (about 912 Bcf/yr) during the year and the scheduled completion of the first phase of this project was delayed several months. Distrigas received the last shipment of Algerian LNG into the United States on September 10, 1994. Sonatrach imposed curtailments of LNG deliveries on all of its customers during the last few months of 1994, and future curtailments likely will occur in 1995 and 1996 as completion of Sonatrach's revamping work is not expected to be done until sometime in 1996.
- Despite the overall downturn in LNG imports during 1994, imports by Distrigas during January played an important role in ensuring that New England had sufficient supplies of natural gas during the record cold spell experienced by much of the country. During January 1994, Distrigas delivered a record 6 Bcf of firm gas supply to various customers in New England and Mid-Atlantic states, including a record daily sendout of 419,000 Mcf. These LNG supplies, along with record supplies from Canada, were vital in ensuring the integrity of the gas supply system in New England and Mid-Atlantic regions.
- **Figure 6** also shows the volume of LNG exported by Phillips Alaska Natural Gas Corporation (Phillips) and Marathon Oil Company (Marathon) from Kenai, Alaska, to Japan during 1993 and 1994.
- As anticipated, LNG exports to Japan grew by 12 percent in 1994 over the 1993 level (62.7 v. 56.0 Bcf). The increase can be attributed to the new, larger tankers that were commissioned into service in June and December 1993, and a renegotiated purchase agreement between the exporters and their two Japanese customers, Tokyo Electric Power Company, Inc., and Tokyo Gas Company, Ltd. For the contract year extending from April 1, 1994, through March 31, 1995, the annual contract quantity increased from 56.0 to 64.4 Bcf.

Note: Data used in this report are from company filings made with OFP. All 1993/94 year-to-year comparisons utilize OFP data. All graphs showing historical trends also use information found in the Energy Information Administration's annual report on natural gas imports and exports. One should be mindful of the fact that OFP data is collected on an equity (sales) basis, rather than on a custody (physical movements) basis, as employed by EIA in its annual report. As a consequence, the data may have some minor variances.